



July 15, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Private Passenger Automobile  
Insurance Rates - North Carolina

On behalf of its member companies, the North Carolina Reinsurance Facility on July 15, 2005 filed with the Commissioner of Insurance rate level changes for bodily injury and property damage liability and medical payments insurance for nonfleet private passenger automobiles and bodily injury and property damage liability insurance for motorcycles ceded to the Reinsurance Facility. The filed rates apply only to ceded risks other than "clean risks" as defined in G.S. 58-37-35(1).

The Facility's filing includes average rate level changes of -5.9% for bodily injury, +2.7% for property damage, and -21.8% for medical payments coverages, averaging -3.3% over rates presently in effect. The filing also includes a rate level change of -14.5% for the motorcycle liability coverages. In addition to the revised rate level changes, new motorcycle relativities and a revised motorcycle manual rule included in the Personal Auto Manual are being introduced for other than "clean risks" ceded to the Reinsurance Facility. The revised rates are to be implemented effective October 1, 2005, in accordance with the following Rule of Application:

These changes are applicable to all policies effective on or after October 1, 2005. No policy effective prior to October 1, 2005 shall be endorsed or cancelled and rewritten to take advantage of or to avoid the application of these changes except at the request of the insured and at the customary short rate charges as of the date of such request, but in no event prior to October 1, 2005.

The enclosed exhibit sets forth the revised rates for ceded risks other than "clean Risks" effective October 1, 2005. Also enclosed is a Personal Automobile Manual rule revision designed to track the implementation of the new motorcycle relativities for other than "clean risks" ceded to the Reinsurance Facility. A reprinted Personal Auto Manual Rate Page will be distributed in the usual fashion, as soon as possible. In the meantime, notice of these changes should be sent to your Company's North Carolina agents to make them aware of the changes.

With respect to the rate differential for ceded business, your attention is directed to G.S. 58-37-24(b) which provides in part as follows:

Each insurer will provide the same type of service to ceded business that it provides for its voluntary market. Records provided to agents and brokers will include an indication that the business is ceded. When an insurer cedes a policy or renewal thereof to the Facility and the Facility premium for such policy is higher than the premium that the insurer would normally charge for such policy if retained by the insurer, the policyholder will be informed that (i) his policy is ceded, (ii) the coverages are written at the Facility rate, which rate differential must be specified, (iii) the reason or reasons for the cession to the Facility, (iv) the specific reason or reasons for the cession to the Facility will be provided upon the written request of the policyholder to the insurer, and (v) the policyholder may seek insurance through other insurers who may elect not to cede his policy.

Very truly yours,

F. Timothy Lucas

Automobile Manager

FTL:dp

Enclosure

RF-05-3

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

BASE RATES - CEDED LIABILITY

<u>Terr Code</u>	<u>\$30,000/60,000 Bodily Injury</u>	<u>\$25,000 Property Damage</u>	<u>\$500 Medical Payments</u>
11	\$167	\$208	\$17
13	259	255	26
14	244	252	24
15	273	253	27
16	227	254	23
17	279	249	28
18	217	231	22
24	196	194	20
25	249	243	25
26	347	216	35
31	248	224	25
32	198	203	20
33	248	184	25
40	312	249	31
41	263	246	26
43	226	193	22
47	246	197	24
51	203	239	20
52	271	270	27

Material in [brackets] is deleted and material underlined is new

## 19. MISCELLANEOUS TYPES

### B. Motorcycles, Motorscooters, Motorbikes, Mopeds and Other Similar Motor Vehicles Not Used for Commercial Purposes

#### Liability Coverages Only

With respect to voluntary risks and “clean risks” ceded to the North Carolina Reinsurance Facility the following provisions apply

1. Such vehicles with engine size of 324 cubic centimeters or less shall be rated at 20% of the applicable voluntary private passenger rate. (Class Code – Motorcycles 951000; Others 960000)
2. Such vehicles with engine size of 325 cubic centimeters or more shall be rated at 36% of the applicable voluntary private passenger rate. (Class Code – Motorcycles 952000; Others 961000)

With respect to other than “clean risks” ceded to the North Carolina Reinsurance Facility the following provisions apply:

3. Such vehicles with engine size of 324 cubic centimeters or less shall be rated at 18% of the applicable ceded private passenger rate. (Class Code – Motorcycles 951000; Others 960000)
4. Such vehicles with engine size of 325 cubic centimeters or more shall be rated at 32% of the applicable ceded private passenger rate. (Class Code – Motorcycles 952000; Others 961000)